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OCC Chief Counsel Julie L. Williams Underscores Importance  
Of Accurate Disclosure and Fair Treatment for Customers of Bank-  
Affiliated Brokers

WASHINGTON, D.C. -- Julie L. Williams, Chief Counsel for the Office of the Comptroller of the Currency, told Congress today that bank and securities regulators share a common concern that bank customers understand the risks of securities investments and are made aware that these products are not FDIC-insured or guaranteed by the bank.

In testimony before the House Commerce Committee's subcommittee on oversight and investigations, Ms. Williams said that the OCC took steps to ensure that problems at NationsBank Securities would be corrected once the agency learned of abusive sales practices that took place in 1993 and 1994. These corrective measures were in place by early 1995.

"Those lapses were deplorable," she told the House panel. "They were corrected by the bank and by NationsSecurities, however, in 1995 in response to OCC exams that contained significant criticisms of the customer safeguards applied in connection with investment product sales by NationsSecurities through the bank."

In her testimony, Ms. Williams outlined the OCC's role as the supervisor of the parent bank and its brokerage subsidiaries in conjunction with the primary supervision of registered broker-dealers by the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD).

"The OCC's approach to the supervision of the brokerage subsidiaries of banks begins with identifying risks these activities pose and determining if those risks are being managed appropriately," Ms. Williams said.

"Risk may be present, for example, if a bank and its subsidiary do not have in place procedures to assure that bank customers receive full and accurate disclosures about the uninsured status and risks of investment products they buy through a bank's subsidiary," Ms. Williams said.

The OCC issued guidance in 1993 on national bank sales of mutual funds and annuities. The OCC standards were embodied in joint guidance by the federal banking agencies in February 1994.

Ms. Williams expressed sympathy for the victims of sales

practices by NationsSecurities in 1993 and 1994. "The OCC has no tolerance for the type of conduct that was evident in that case," she said.

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.